



**HAMILTON COMMUNITY SCHOOLS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

# HAMILTON COMMUNITY SCHOOLS

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**HAMILTON COMMUNITY SCHOOLS  
ADMINISTRATIVE PERSONNEL  
FOR THE YEAR ENDED JUNE 30, 2007**

**SCHOOL BOARD MEMBERS**

JoAnn DeJonge	President
Ron Eding	Vice-President
Beth Zoet	Secretary
Gord Poll	Treasurer
Rick Kooiker	Trustee
Ralph Pax	Trustee
Steve Spaman	Trustee

**SUPERINTENDENT**

James Kos

**BUSINESS MANAGER**

Steve Aardema

**PRINCIPALS**

Douglas Braschler	High School
Scott Smith	Middle School
Barb Ferguson	Elementary School
Duane Langeland	Elementary School
Rolfe Timmerman	Elementary School
Dan Scoville	Elementary School



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

October 4, 2007

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **HAMILTON COMMUNITY SCHOOLS**, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamilton Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Community Schools as of June 30, 2007, and the respective changes in financial position, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 4, 2007, on our consideration of Hamilton Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Community Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of Hamilton Community Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohson". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of Hamilton Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$20,954,378 (*net assets*). Of this amount, \$10,111,932 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$2,212,968.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,731,839, an increase of \$1,790,601 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$8,564,576 or 41% percent of total general fund expenditures and transfers out.
- Investments for the future were made by spending \$159,763 on school improvements, vehicles and equipment.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including management discussion and analysis, budgetary schedules, and combining statements for non-major and fiduciary funds.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, athletics and other services. The District has no business-type activities as of and for the year ended June 30, 2007.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type category.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds, one trust fund, and two agency funds reported in combination in these financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. These funds include two capital projects funds, a food service special revenue fund, an athletics special revenue fund, and public improvement fund. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general, debt, and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with the general and special revenue fund budgets.

The governmental fund financial statements can be found on pages 12-16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Hamilton Community Schools' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-32 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 33-46 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$20,954,378 at the close of the most recent fiscal year. The timing of debt service payments and depreciation expense of capital assets has a significant impact on this balance.



A portion of the District's net assets reflect investment in capital assets net of related debt (e.g., land, buildings, vehicles, and equipment, less any related debt used to acquire those assets that is still outstanding). In the current year, this amount is \$8,922,836 or 43% of total net assets. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **Hamilton Community Schools' Net Assets**

	<u><b>2006</b></u>	<u><b>2007</b></u>
Current and other assets	\$13,189,922	\$15,072,771
Capital assets, net	<u>39,307,402</u>	<u>38,140,018</u>
Total assets	<u>52,497,324</u>	<u>53,212,789</u>
Current liabilities	2,118,845	2,226,309
Long-term liabilities outstanding	<u>31,637,069</u>	<u>30,032,102</u>
Total liabilities	<u>33,755,914</u>	<u>32,258,411</u>
Net assets:		
Invested in capital assets, net of related debt	8,515,220	9,005,018
Restricted	2,084,245	1,919,610
Unrestricted	<u>8,141,945</u>	<u>10,029,750</u>
<b>Total net assets</b>	<u><b>\$18,741,410</b></u>	<u><b>\$20,954,378</b></u>

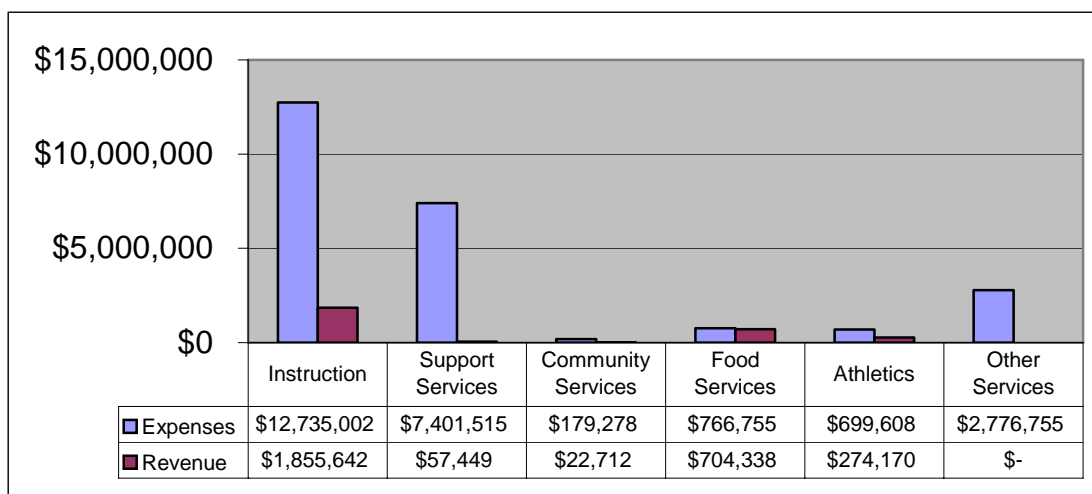
An additional portion of the District's net assets represents resources that are subject to other external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the District's ongoing obligations to its general programs.

## Hamilton Community Schools' Changes in Net Assets

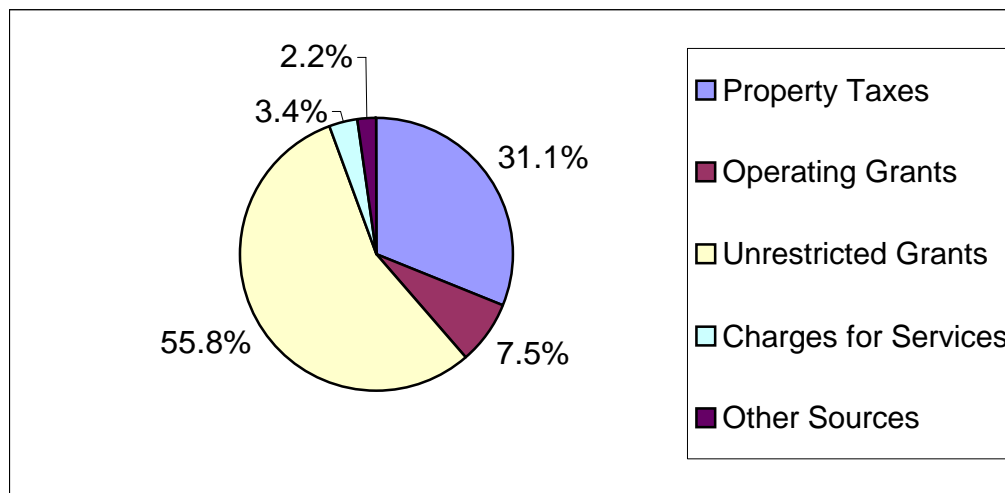
	<u>2006</u>	<u>2007</u>
<b>Program revenue</b>		
Charges for services	\$ 964,419	\$ 910,500
Operating grants and contributions	1,971,592	2,003,811
<b>General revenue</b>		
Property taxes - operations	3,798,939	4,006,813
Property taxes - debt service	4,052,157	4,323,780
Grants and contributions not restricted to specific programs	14,548,160	14,940,313
Unrestricted investment earnings	<u>321,617</u>	<u>586,664</u>
<b>Total revenue</b>	<b><u>25,656,884</u></b>	<b><u>26,771,881</u></b>
<b>Expenses</b>		
Instruction	12,204,988	12,735,002
Supporting services	7,498,511	7,401,515
Community services	200,889	179,278
Food services	765,195	766,755
Athletics	696,625	699,608
Depreciation – unallocated	1,333,575	1,302,544
Interest on long-term debt	<u>1,655,745</u>	<u>1,474,211</u>
<b>Total expenses</b>	<b><u>24,355,528</u></b>	<b><u>24,558,913</u></b>
<b>Increase in net assets</b>	<b>1,301,356</b>	<b>2,212,968</b>
Net assets, beginning of year	<u>17,440,054</u>	<u>18,741,410</u>
<b>Net assets, end of year</b>	<b><u>\$18,741,410</u></b>	<b><u>\$20,954,378</u></b>

**Governmental activities.** Net assets increased by \$2,212,968. Key elements of this increase are as follows (the graph below, Expenses and Program Revenues – Government – wide, does not include general revenues of approximately \$23.8 million, which are not allocated to a specific function):

## Expenses and Program Revenues – Government-wide



## Revenues by Source – Government-wide



## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$8,564,576, while the total fund balance was \$10,492,479. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance and total fund balance represent 41 and 50 percent, respectively, of total general fund expenditures and transfers out.

The fund balance of the District's general fund increased by \$1,973,650 during the current fiscal year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with instruction and related supporting activities.

The debt service fund has a total fund balance of \$1,962,030, which increased by \$1,337,992 during the year.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets were caused by revenue that was adjusted throughout the year as actual enrollments replaced projections, grants were approved at new levels, and adjustments in state aid were made – particularly for prior year tax judgements. Expenditures are adjusted for changes in staffing (staffing levels, compensation based on additional education, and benefits based on changes in family status.) Other expenditures were revised based on year-to-date spending, approved grant levels, and transfers within school/departmental budgets.

### **Capital Asset and Debt Administration**

**Capital assets** – The District's investment in capital assets for its governmental activities as of June 30, 2007 amounted to \$38,140,018 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment.

Capital assets at fiscal year end included the following:

<b>Hamilton Community Schools' Capital Assets</b>		
(net of depreciation)		
June 30, 2007		
	<u><b>2006</b></u>	<u><b>2007</b></u>
Land	\$ 1,255,880	\$ 1,255,880
Buildings and improvements	36,277,419	35,334,317
Furniture and equipment	857,663	797,617
Vehicles	715,916	560,035
Infrastructure	<u>200,524</u>	<u>192,169</u>
<b>Total</b>	<u><b>\$39,307,402</b></u>	<u><b>\$38,140,018</b></u>

Additional information on the District's capital assets can be found in Note 6 on page 28 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$30,032,102. The District's total debt decreased by \$1,604,967 during the current fiscal year. Additional information on the District's long-term debt can be found in Note 9 on pages 30 and 31 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2007-08 fiscal year:

- A flat enrollment pupil count was used as a balance between the past growth trend and the area's economic and job loss situation.
- A state foundation grant of \$7,180 per student based on a blend of state executive and legislative proposals.
- Federal revenue and expenditures projections were done on a grant-by-grant basis at 2006-07 levels without any indications of funding changes.
- Wage and insurance costs were budgeted to known levels in the cases of health insurance and employee groups with settled wage levels. Costs for other insurances and the teacher's association wages were estimated on the basis of other area settlements.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Business Manager  
Hamilton Community Schools  
4815 - 136<sup>th</sup> Avenue  
Hamilton, MI 49419  
(269) 751-5148

## **BASIC FINANCIAL STATEMENTS**

# HAMILTON COMMUNITY SCHOOLS

## Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 11,739,126
Receivables:	
Accounts	2,077
Interest	56,233
Due from other governments	2,902,067
Inventory	22,828
Prepaid items	102,307
Total current assets	<u>14,824,638</u>
Noncurrent assets:	
Capital assets not being depreciated	1,255,880
Capital assets being depreciated, net	36,884,138
Unamortized bond issuance and deferred refunding costs	248,133
Total noncurrent assets	<u>38,388,151</u>
Total assets	<u>53,212,789</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	83,007
Accrued expenses	2,088,203
Due to other governments	24,435
Unearned revenue	30,664
Current portion of long-term debt	1,820,000
Total current liabilities	<u>4,046,309</u>
Noncurrent liabilities:	
Long-term severance benefits/early retirement	814,920
Noncurrent portion of long-term debt	27,397,182
Total noncurrent liabilities	<u>28,212,102</u>
Total liabilities	<u>32,258,411</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	9,005,018
Restricted for debt service	1,726,287
Restricted for capital projects	193,323
Unrestricted	10,029,750
Total net assets	<u>\$ 20,954,378</u>

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Statement of Activities For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue/Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 12,735,002	\$ 47,841	\$ 1,807,801	\$ (10,879,360)
Supporting services	7,401,515	40,427	17,022	(7,344,066)
Community services	179,278	22,712	-	(156,566)
Food services	766,755	525,375	178,963	(62,417)
Athletics	699,608	274,145	25	(425,438)
Depreciation - unallocated	1,302,544	-	-	(1,302,544)
Interest on long-term debt	1,474,211	-	-	(1,474,211)
Total governmental activities	<u>\$ 24,558,913</u>	<u>\$ 910,500</u>	<u>\$ 2,003,811</u>	<u>(21,644,602)</u>
General revenues:				
Property taxes - operations				4,006,813
Property taxes - debt service				4,323,780
Grants and contributions not restricted to specific programs				14,940,313
Unrestricted investment earnings				<u>586,664</u>
Total general revenues				<u>23,857,570</u>
Change in net assets				2,212,968
Net assets, beginning of year				<u>18,741,410</u>
Net assets, end of year				<u>\$ 20,954,378</u>

The accompanying notes are an integral part of these financial statements.



# HAMILTON COMMUNITY SCHOOLS

## Balance Sheet Governmental Funds June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Non- Major Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 9,500,115	\$ 1,959,954	\$ 279,057	\$ 11,739,126
Receivables:				
Accounts	1,983	-	94	2,077
Interest	52,892	2,076	1,265	56,233
Due from other governments	2,815,474	82,182	4,411	2,902,067
Inventory	-	-	22,828	22,828
Prepaid items	97,768	-	4,539	102,307
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u><u>\$ 12,468,232</u></u>	<u><u>\$ 2,044,212</u></u>	<u><u>\$ 312,194</u></u>	<u><u>\$ 14,824,638</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 78,807	\$ -	\$ 4,200	\$ 83,007
Accrued liabilities	1,852,460	-	-	1,852,460
Due to other governments	24,435	-	-	24,435
Deferred revenue	20,051	82,182	30,664	132,897
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>1,975,753</u>	<u>82,182</u>	<u>34,864</u>	<u>2,092,799</u>
<b>Fund balance</b>				
Reserved for:				
Inventory	-	-	10,521	10,521
Prepaid items	97,768	-	4,539	102,307
Unreserved:				
Designated for equipment/maintenance	1,015,215	-	-	1,015,215
Designated for severance benefits	814,920	-	-	814,920
Undesignated reported in nonmajor:				
Special revenue funds	-	-	68,947	68,947
Debt service funds	-	1,962,030	-	1,962,030
Capital projects funds	-	-	193,323	193,323
Undesignated	8,564,576	-	-	8,564,576
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>10,492,479</u>	<u>1,962,030</u>	<u>277,330</u>	<u>12,731,839</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 12,468,232</u></u>	<u><u>\$ 2,044,212</u></u>	<u><u>\$ 312,194</u></u>	<u><u>\$ 14,824,638</u></u>

The accompanying notes are an integral part of these financial statements

**HAMILTON COMMUNITY SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 12,731,839
--	---------------

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criteria for revenue recognition is met.

Add - deferred long-term receivables	102,233
--------------------------------------	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets not being depreciated	1,255,880
Add - capital assets being depreciated, net	36,884,138

Amortization of bond issuance costs, premiums, and deferred refunding costs are not recorded in the governmental funds, but are recorded as a noncurrent asset on the Statement of Net Assets.

Add - net deferred bond refunding costs	248,133
---	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(29,217,182)
Deduct - accrued interest on bonds payable	(235,743)
Deduct - severance benefits/early retirement	(814,920)

Net assets of governmental activities	\$ <u>20,954,378</u>
---------------------------------------	----------------------

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2007

	General Fund	Debt Service	Non- Major Funds	Total
<b>Revenues</b>				
Local sources	\$ 5,687,914	\$ 4,448,417	\$ 874,704	\$ 11,011,035
State sources	14,936,273	-	24,091	14,960,364
Federal sources	675,517	-	178,837	854,354
	<u>21,299,704</u>	<u>4,448,417</u>	<u>1,077,632</u>	<u>26,825,753</u>
<b>Expenditures</b>				
Current:				
Instruction	12,532,468	-	-	12,532,468
Supporting services	7,371,677	-	-	7,371,677
Community services	179,278	-	-	179,278
Food services	-	-	764,216	764,216
Athletics	-	-	675,080	675,080
Debt service				
Principal	-	1,575,000	-	1,575,000
Interest	-	1,501,079	-	1,501,079
Paying agent fees	-	525	-	525
Taxes abated and written off	-	33,821	-	33,821
Capital outlay	408,968	-	14,803	423,771
	<u>20,492,391</u>	<u>3,110,425</u>	<u>1,454,099</u>	<u>25,056,915</u>
Revenue over (under) expenditures	<u>807,313</u>	<u>1,337,992</u>	<u>(376,467)</u>	<u>1,768,838</u>
<b>Other financing sources (uses)</b>				
Proceeds on sale of capital assets	21,763	-	-	21,763
Transfers in	1,601,557	-	456,983	2,058,540
Transfers out	(456,983)	-	(1,601,557)	(2,058,540)
	<u>1,166,337</u>	<u>-</u>	<u>(1,144,574)</u>	<u>21,763</u>
Net changes in fund balances	1,973,650	1,337,992	(1,521,041)	1,790,601
Fund balances, beginning of year	<u>8,518,829</u>	<u>624,038</u>	<u>1,798,371</u>	<u>10,941,238</u>
<b>Fund balances, end of year</b>	<u><u>\$ 10,492,479</u></u>	<u><u>\$ 1,962,030</u></u>	<u><u>\$ 277,330</u></u>	<u><u>\$ 12,731,839</u></u>

The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds	\$ 1,790,601
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Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criteria for revenue recognition is met.

Deduct - change in deferred revenue on long-term receivable	(20,051)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	159,763
Deduct - depreciation expense	(1,302,544)
Deduct - proceeds on sale of capital assets	(21,763)
Deduct - loss on sale of capital assets	(2,840)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net assets.

Add - principal payments on long-term debt	1,575,000
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	27,393
Deduct - amortization expense of net deferred refunding costs	(22,558)
Add - decrease in the accrual for severance benefits	29,967

Change in net assets of governmental activities	<u><u>\$ 2,212,968</u></u>
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The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<b>Budget</b>			<b>Variance With Final Budget</b>	<b>2006 Actual</b>
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>		
<b>Revenues</b>					
Local sources	\$ 5,572,900	\$ 5,641,900	\$ 5,687,914	\$ 46,014	\$ 5,261,239
State sources	14,634,100	14,533,500	14,936,273	402,773	14,535,303
Federal sources	689,500	670,100	675,517	5,417	687,711
Total revenue	20,896,500	20,845,500	21,299,704	454,204	20,484,253
<b>Expenditures</b>					
Instructional:					
Basic programs	11,098,136	11,065,236	11,020,865	(44,371)	10,743,539
Added needs	1,605,500	1,600,700	1,511,603	(89,097)	1,366,255
Total instructional	12,703,636	12,665,936	12,532,468	(133,468)	12,109,794
Supporting services:					
Pupil services	1,003,900	998,100	980,220	(17,880)	958,745
Improvement of instruction	883,900	813,900	685,546	(128,354)	784,129
Executive administration	297,900	296,800	272,056	(24,744)	275,527
School administration	1,434,100	1,422,700	1,457,165	34,465	1,366,616
Other pupil services	527,800	526,000	471,749	(54,251)	471,006
Operation and maintenance	2,596,682	2,411,083	2,137,000	(274,083)	2,262,481
Transportation services	1,388,700	1,364,700	1,283,530	(81,170)	1,267,834
District support	83,900	100,300	84,411	(15,889)	72,603
Total supporting services	8,216,882	7,933,583	7,371,677	(561,906)	7,458,941
Community services:					
District pool	212,500	213,900	179,278	(34,622)	200,889
Capital outlay	519,000	602,800	408,968	(193,832)	436,764
Total expenditures	21,652,018	21,416,219	20,492,391	(923,828)	20,206,388
Revenue over (under) expenditures	(755,518)	(570,719)	807,313	1,378,032	277,865
<b>Other financing sources (uses)</b>					
Proceeds on sale of equipment	-	-	21,763	21,763	-
Transfers in	-	1,596,600	1,601,557	4,957	-
Transfers out	(508,500)	(475,100)	(456,983)	18,117	(443,882)
Total other financing sources (uses)	(508,500)	1,121,500	1,166,337	44,837	(443,882)
Net changes in fund balance	(1,264,018)	550,781	1,973,650	1,422,869	(166,017)
Fund balance, beginning of year	8,518,829	8,518,829	8,518,829	-	8,684,846
<b>Fund balance, end of year</b>	<b>\$ 7,254,811</b>	<b>\$ 9,069,610</b>	<b>\$ 10,492,479</b>	<b>\$ 1,422,869</b>	<b>\$ 8,518,829</b>

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Fiduciary Funds Statement of Net Assets June 30, 2007

	<b>Private Purpose Trust Dangremond Scholarship Fund</b>	<b>Agency Fund Student Activities</b>
<b>Assets</b>		
Cash and investments	\$ 53,963	\$ 55,877
Interest receivable	91	-
Inventory	-	17,151
<b>Total assets</b>	<b>54,054</b>	<b>\$ 73,028</b>
<b>Liabilities</b>		
Due to student groups	-	\$ 60,927
Accounts payable	-	12,101
<b>Total liabilities</b>	<b>-</b>	<b>\$ 73,028</b>
<b>Net assets</b>		
Unrestricted	<b>\$ 54,054</b>	

# HAMILTON COMMUNITY SCHOOLS

## Fiduciary Fund

### Statement of Changes in Net Assets

For the Year Ended June 30, 2007

	<b>Private Purpose Trust Dangremond Scholarship Fund</b>
<b>Additions</b>	
Contributions	\$ 560
Investment income	2,563
Total additions	3,123
<b>Deductions</b>	
Scholarships and other payments	1,500
Change in net assets	1,623
<b>Net assets held in trust</b>	
Beginning of year	52,431
End of year	\$ 54,054

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Hamilton Community Schools (the “District”) consistently applied in the preparation of the accompanying financial statements follows.

#### ***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Hamilton Community Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to severance benefits and claims and judgments, are recorded only when payment is due.



# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Property taxes, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

Additionally, the District reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *capital projects funds* account for the accumulation and disbursement of funds for construction projects.

The *fiduciary funds* account for resources held on the behalf of other individuals and governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants, and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### **Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2007. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

### **Encumbrances**

The District does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

### **Property Taxes**

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2006 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. The County maintains a Delinquent Tax Fund which pays local units for uncollected taxes on real property. Collections of delinquent taxes on personal property in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied on July 1 and December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

### **Cash and Cash Equivalents**

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

### **Investments**

The District investments consist of mutual funds and certificates of deposit with local and regional financial institutions as well as commercial paper and federal treasury/agency obligations. Investments are stated at fair value.

Michigan law authorizes the District to invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

### **Receivables**

The District follows the practice of recording as receivables revenues that have been earned but not yet received.

### **Inventories**

Inventories consist of food and school store items. Inventories are stated at cost (first-in, first-out).

### **Prepaid Items**

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and improvements	20-50
Furniture and equipment	5-10
Vehicles	5-10

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### **Salaries Payable and Accrued Employee Benefits**

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### **Retirement/Severance Benefits**

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for severance benefits has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16. This liability is shown on the statement of net assets.

Certain employees, after extended service to the District, are eligible for a retirement amount based upon years of service and the BA base salary, and, if applicable final salary. Only the amount that has matured is reflected in the fund financial statements (*modified accrual basis*). The full amount is reflected in the government-wide (*full-accrual basis*) statements.

### **Reserves and Designations of Fund Balance/Restricted Net Assets**

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the Board of Education for future expenditures.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

### **Durant Related Issues**

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA) or in fifteen annual payments. Hamilton Community Schools elected to participate in the special bonding program.

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

The remaining 50% of the settlement which is being received over ten years, beginning April 1999, is recorded in the General Fund as Unrestricted State School Aid. Use of these funds is restricted to specified purposes.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

## **2. STATE OF MICHIGAN SCHOOL AID**

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 70% of general fund revenue to the District during the 2007 fiscal year.

## **3. DEFICIT FUND BALANCE**

At June 30, 2007, the District had an unreserved deficit fund balance of \$6,802 in the Food Service Fund. The Food Service Fund includes reserves of \$13,983, resulting in an overall positive fund balance of \$7,181. Management plans to eliminate the unreserved deficit fund balance through the recognition of revenues and transfers from the general fund in subsequent years.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2007 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
School administration	\$1,422,700	\$1,457,165	\$34,465
Food Service Fund			
Commodities expense	17,240	21,027	3,787
Miscellaneous	3,050	3,151	101
Capital outlay	-	2,539	2,539

The budget variance in the General Fund – School Administration was the result of the year-end recognition of severance benefits for a retiring principal. In Food Service, the commodities expense variation was due to end-of-year entries recognizing the districts first year participation in a cooperative arrangement to increase the use of USDA commodities. The commodity expense has a corresponding variance in revenue as well. The capital outlay variance was due to replacement equipment purchased after the last budget amendment.

### 5. CASH AND INVESTMENTS

The composition of cash and investments is as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash on hand	\$ 676	\$ -	\$ 676
Deposits in checking and savings accounts	4,155,200	39,840	4,195,040
Certificates of deposit (due < 1 year)	369,232	70,000	439,232
Investments	7,214,018	-	7,214,018
<b>Total cash and cash equivalents and investments</b>	<b><u>\$11,739,126</u></b>	<b><u>\$109,840</u></b>	<b><u>\$11,848,966</u></b>

These deposits are in six (6) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of June 30, 2007, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Fixed Income Securities:			
Federal Home Loan Mortgage Corporation	09/22/2009	\$ 195,032	Aaa/AAA
Federal Farm Credit Bank	01/25/2008	100,188	Aaa/AAA
Federal Farm Credit Bank	07/09/2010	96,500	Aaa/AAA
Federal Farm Credit Bank	09/24/2007	100,240	Aaa/AAA
Federal Farm Credit Bank Medium Term Note	06/16/2008	100,606	Aaa/AAA
Federal Farm Credit Bank	09/14/2010	98,469	Aaa/AAA
Federal Farm Credit Bank	01/27/2011	96,469	Aaa/AAA
Federal Home Loan Bank Series XM10	12/17/2010	96,188	Aaa/AAA

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan Bank	03/24/2011	\$ 95,813	Aaa/AAA
Federal Home Loan Bank	07/15/2008	97,375	Aaa/AAA
Federal Home Loan Mortgage Corporation Medium Term Note	11/15/2010	96,669	Aaa/AAA
Federal Home Loan Mortgage Corporation Multi-Coupon Medium Term Note	11/15/2009	69,572	Aaa/AAA
Federal Home Loan Bank	02/25/2008	100,219	Aaa/AAA
Federal Home Loan Bank	02/26/2009	100,688	Aaa/AAA
Federal Home Loan Bank	05/15/2008	100,344	Aaa/AAA
Federal Home Loan Bank Series S107	08/15/2007	99,813	Aaa/AAA
Federal Home Loan Bank	08/19/2010	97,594	Aaa/AAA
Federal Home Loan Bank	08/15/2008	98,344	Aaa/AAA
Federal Home Loan Bank	11/14/2008	97,875	Aaa/AAA
Federal Home Loan Bank	02/03/2011	97,500	Aaa/AAA
Federal Home Loan Bank	08/27/2009	98,000	Aaa/AAA
Federal Home Loan Bank	04/08/2010	101,522	Aaa/AAA
Federal Home Loan Bank Multi-Coupon	10/29/2009	98,625	Aaa/AAA
Federal Home Loan Bank Multi-Coupon	11/12/2009	99,688	Aaa/AAA
Federal Home Loan Bank	05/15/2009	98,344	Aaa/AAA
Federal Home Loan Bank	12/22/2009	97,719	Aaa/AAA
Federal Home Loan Bank	02/12/2010	97,063	Aaa/AAA
Federal Home Loan Bank	06/10/2011	99,969	Aaa/AAA
Federal Home Loan Bank Multi-Coupon	04/15/2008	100,313	Aaa/AAA
Federal Home Loan Bank Multi-Coupon	10/15/2008	99,969	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	03/15/2009	100,844	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	03/15/2008	98,219	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	04/15/2009	96,906	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	07/15/2009	98,188	Aaa/AAA
Federal National Mortgage Association	05/17/2010	98,531	*
Federal National Mortgage Association	01/15/2009	100,000	*
Federal National Mortgage Association	06/15/2009	102,188	*
Federal National Mortgage Association	10/15/2007	100,313	*
Federal National Mortgage Association	05/15/2011	102,625	*
Federal National Mortgage Association	07/15/2007	99,969	*
Federal National Mortgage Association	01/25/2010	97,781	*
Federal National Mortgage Association	12/10/2007	100,322	*
Federal National Mortgage Association	12/09/2009	95,594	*
Federal Home Loan Bank Multi-Coupon	06/17/2010	95,375	*
Federal National Mortgage Association	10/08/2010	96,375	*
Federal National Mortgage Association	03/30/2010	97,063	*
Federal National Mortgage Association	04/08/2011	97,938	*
Student Loan Marketing Association Medium Term Note	12/01/2008	101,344	*
U.S. Treasury Security	11/15/2007	99,297	*
U.S. Treasury Security	09/15/2008	97,844	*
Commercial Paper:			
J.P. Morgan	10/23/2007	488,863	A1/P1
Korea Dev Bank NY	10/25/2007	490,162	A1/P1
Paccar Financial	09/17/2007	493,297	A1/P1
Wachovia Bank	09/28/2007	392,482	A1/P1

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Mutual Fund:				
AIM Govt & Agency – Private	N/A	\$	342,989	Aaa/AAA
Money Market:				
Fifth Third Institutional Money Market	N/A		<u>2,799</u>	N/A
<b>Total Investments</b>			<b><u>\$ 7,214,018</u></b>	

\* denotes that the District is not required to report a rating because the investment is backed or sponsored by the U.S. government.

### ***Investment and Deposit Risk***

***Interest Rate Risk.*** State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year end.

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

***Custodial Credit Risk – Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$4,777,200 of the District's bank balance of \$5,243,147 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Custodial Credit Risk – Investments.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$7,214,018 of the District's investment balance of \$7,214,018 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Concentration of Credit Risk.*** State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the District's investments are in certificates of deposit. All investments held at year end are reported above.



# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### 6. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2007 was as follows:

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2007</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,255,880	\$ -	\$ -	\$ 1,255,880
Capital assets being depreciated:				
Buildings and improvements	44,990,815	-	-	44,990,815
Furniture and equipment	1,958,307	123,304	(46,630)	2,035,981
Vehicles	2,234,520	36,459	-	2,270,979
Infrastructure	208,879	-	-	208,879
Total capital assets being depreciated	49,392,521	159,763	(45,630)	49,506,654
Accumulated depreciation:				
Buildings and improvements	(8,713,396)	(943,102)	-	(9,656,498)
Furniture and equipment	(1,100,644)	(158,747)	21,027	(1,238,364)
Vehicles	(1,518,604)	(192,340)	-	(1,710,944)
Infrastructure	(8,355)	(8,355)	-	(16,710)
Total accumulated depreciation	(11,340,999)	(1,302,544)	21,027	(12,622,516)
Total capital assets being depreciated, net	38,051,522	(1,142,781)	(24,603)	36,884,138
<b>Governmental activities capital assets, net</b>	<b>\$39,307,402</b>	<b>\$ (1,142,781)</b>	<b>\$ (24,603)</b>	<b>\$38,140,018</b>

Depreciation expense for the fiscal year ended June 30, 2007 amounted to \$1,302,544. The District determined that it was impractical to allocated depreciation to the various governmental activities as the assets serve multiple functions.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 7. EQUIPMENT AND MAINTENANCE PROJECTS (EMP)

In 1992, Hamilton voters approved 1.00 mills of property tax for equipment and maintenance projects for five years. In 1994, Proposal A included this revenue in the District's foundation grant. The Board of Education has continued to designate a portion of its State School Aid to continue these projects. A subcommittee of the Board of Education services as an EMP Committee to discuss projects with members of the Administrative staff.

For the 2006/07 fiscal year, EMP is not reported separately in these statements, but a portion of the fund balance in the General Fund continues to be designated for EMP purposes. The following information provides detail on EMP activity for the year ended June 30, 2007:

Fund Balance July 1, 2006	\$ 792,837
Revenue designated for EMP	600,392
EMP expenditures	<u>(378,014)</u>
<b>Fund balance June 30, 2007</b>	<b><u>\$ 1,015,215</u></b>

### 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers primarily reflect subsidies allocated from the General Fund. In addition, all remaining resources from the Public Improvement Fund were transferred into the General Fund in the current year.

	<u>In</u>	<u>Out</u>
<b>Interfund Transfers</b>		
General Fund	\$ 1,601,557	\$ 456,983
Nonmajor Funds	<u>456,983</u>	<u>1,601,557</u>
<b>Total</b>	<b><u>\$ 2,058,540</u></b>	<b><u>\$ 2,058,540</u></b>

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### 9. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2007:

	Long-term Debt				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
1998 School Building and Site Refunding Bonds due in amounts ranging from \$420,000 through \$1,775,000 plus interest at 3.00 - 5.50% through 2024	\$ 17,330,000	\$ -	\$(1,575,000)	\$ 15,755,000	\$1,820,000
2006 Refunding Bonds due in amounts ranging from \$865,000 through \$1,650,000 plus interest at 3.00 - 5.00% through 2018 (unlimited tax, general obligation)	13,380,000	-	-	13,380,000	-
1998 Building Improvement Bonds (Durant Settlement) due in amounts ranging from \$10,165 through \$45,918 plus interest at 4.76% through 2013.	82,182	-	-	82,182	-
Total installment debt	30,792,182	-	(1,575,000)	29,217,182	1,820,000
Retirement/severance benefits	844,887	110,907	(140,874)	814,920	-
<b>Total long-term debt</b>	<b>\$ 31,637,069</b>	<b>\$ 110,907</b>	<b>\$(1,715,874)</b>	<b>\$30,032,102</b>	<b>\$1,820,000</b>

Following is a summary of future bond and loan principal maturities and interest requirements:

	Principal	Interest
2008	\$ 1,820,000	\$ 1,422,356
2009	2,021,159	1,592,002
2010	1,961,690	1,314,196
2011	2,058,064	1,138,282
2012	1,572,829	1,052,551
2013 – 2017	7,643,440	4,112,340
2018 – 2022	8,590,000	2,204,500
2023 – 2024	3,550,000	266,250
<b>Total</b>	<b>\$29,217,182</b>	<b>\$13,102,477</b>

Retirement/severance benefits are expected to be liquidated by the general and food service funds.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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In prior years, Hamilton Community Schools advance refunded certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The advance refunding resulted in a defeasance of the bonds. As a result, the trust account assets and the liability for the defeased bonds are not included in the Hamilton Community Schools financial statements. At June 30, 2007, \$15,505,000 of bonds outstanding are considered defeased.

### 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the District carried commercial insurance to cover losses related to these risks. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### 11. RETIREMENT PLAN

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

#### Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The rate from July to September was 16.43% and from October through June was 17.74% of covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2007, 2006, and 2005 were \$2,108,176, \$1,901,896, and \$1,669,513, respectively, equal to the required contributions for each year.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 12. CONTINGENCIES

#### **Federal Grant Programs**

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

## **GENERAL FUND**

**HAMILTON COMMUNITY SCHOOLS**  
**Comparative Balance Sheet**  
**General Fund**  
**June 30, 2007**  
**With Comparative Totals as of June 30, 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and investments	\$ 9,500,115	\$ 7,435,026
Receivables:		
Accounts	1,983	-
Interest	52,892	35,257
Due from other governments	2,815,474	2,874,443
Due from other funds	-	1,266
Prepaid items	<u>97,768</u>	<u>53,917</u>
 Total assets	 <u><u>\$ 12,468,232</u></u>	 <u><u>\$ 10,399,909</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 78,807	\$ 85,902
Accrued liabilities		
Severance benefits	130,934	87,499
Payroll	1,232,466	1,211,146
Payroll taxes	94,284	92,609
Fringe benefits	394,776	362,322
Due to other funds	-	1,500
Due to other governments	24,435	-
Deferred revenue	<u>20,051</u>	<u>40,102</u>
 Total liabilities	 <u>1,975,753</u>	 <u>1,881,080</u>
<b>Fund balances</b>		
Reserved for prepaid items	97,768	53,917
Designated for equipment/maintenance	1,015,215	792,837
Designated for severance benefits	814,920	844,887
Unreserved, undesignated	<u>8,564,576</u>	<u>6,827,188</u>
 Total fund balances	 <u>10,492,479</u>	 <u>8,518,829</u>
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 12,468,232</u></u>	 <u><u>\$ 10,399,909</u></u>



**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Operating Expenditures**  
**General Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies &amp; Materials</u>	<u>Other Expenses</u>	<u>Capital Outlay</u>	<u>2007</u>	<u>2006</u>
Instruction:								
Basic	\$ 6,861,633	\$ 3,684,511	\$ 125,024	\$ 309,267	\$ 40,430	\$ -	\$ 11,020,865	\$ 10,743,539
Added needs	973,957	444,795	46,620	17,817	28,414	-	1,511,603	1,366,255
Supporting services:								
Pupil services	570,531	288,439	115,766	5,154	330	-	980,220	958,745
Improvement of instruction	387,162	159,329	66,553	59,491	13,011	-	685,546	784,129
Executive administration	151,371	75,045	33,941	4,935	6,764	-	272,056	275,527
School administration	896,877	513,986	26,231	15,784	4,287	-	1,457,165	1,366,616
Other pupil services	181,081	95,580	39,328	9,070	146,690	-	471,749	471,006
Operation and maintenance	669,400	361,555	374,720	730,472	853	-	2,137,000	2,262,481
Transportation services	709,643	244,439	82,826	244,352	2,270	-	1,283,530	1,267,834
District support	22,339	14,109	29,283	1,131	17,549	-	84,411	72,603
Community services	91,064	40,211	891	12,002	35,110	-	179,278	200,889
Capital outlay	-	-	-	-	-	408,968	408,968	436,764
<b>Total expenditures</b>	<u>\$ 11,515,058</u>	<u>\$ 5,921,999</u>	<u>\$ 941,183</u>	<u>\$ 1,409,475</u>	<u>\$ 295,708</u>	<u>\$ 408,968</u>	<u>\$ 20,492,391</u>	<u>\$ 20,206,388</u>

## **NONMAJOR GOVERNMENTAL FUNDS**

# HAMILTON COMMUNITY SCHOOLS

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue		Capital Projects			
	Athletics	Food Service	Building and Site	1998 Durant	Public Improvement	Total
<b>Assets</b>						
Cash and investments	\$ 79,949	\$ 7,050	\$ 154,509	\$ 37,549	\$ -	\$ 279,057
Receivables:						
Accounts	-	94	-	-	-	94
Interest	-	-	1,265	-	-	1,265
Due from other governments	-	4,411	-	-	-	4,411
Inventory	-	22,828	-	-	-	22,828
Prepaid items	1,077	3,462	-	-	-	4,539
<b>Total assets</b>	<u>\$ 81,026</u>	<u>\$ 37,845</u>	<u>\$ 155,774</u>	<u>\$ 37,549</u>	<u>\$ -</u>	<u>\$ 312,194</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ 4,200
Deferred revenue	-	30,664	-	-	-	30,664
<b>Total liabilities</b>	<u>4,200</u>	<u>30,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,864</u>
<b>Fund balances</b>						
Reserved for:						
Inventory	-	10,521	-	-	-	10,521
Prepaid items	1,077	3,462	-	-	-	4,539
Unreserved:						
Unreserved, undesignated (deficit)	<u>75,749</u>	<u>(6,802)</u>	<u>155,774</u>	<u>37,549</u>	<u>-</u>	<u>262,270</u>
<b>Total fund balances</b>	<u>76,826</u>	<u>7,181</u>	<u>155,774</u>	<u>37,549</u>	<u>-</u>	<u>277,330</u>
<b>Total liabilities and fund balances</b>	<u>\$ 81,026</u>	<u>\$ 37,845</u>	<u>\$ 155,774</u>	<u>\$ 37,549</u>	<u>\$ -</u>	<u>\$ 312,194</u>

**HAMILTON COMMUNITY SCHOOLS**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>Special Revenue</b>		<b>Capital Projects</b>			
	<b>Athletics</b>	<b>Food Service</b>	<b>Building and Site</b>	<b>1998 Durant</b>	<b>Public Improvement</b>	<b>Total</b>
<b>Revenue</b>						
Local sources	\$ 276,170	\$ 526,997	\$ 7,861	\$ 556	\$ 63,120	\$ 874,704
State sources	-	24,091	-	-	-	24,091
Federal sources	-	178,837	-	-	-	178,837
Total revenue	276,170	729,925	7,861	556	63,120	1,077,632
<b>Expenditures</b>						
Current:						
Food service	-	764,216	-	-	-	764,216
Athletic activities	675,080	-	-	-	-	675,080
Capital outlay	12,264	2,539	-	-	-	14,803
Total expenditures	687,344	766,755	-	-	-	1,454,099
Revenue over (under) expenditures	(411,174)	(36,830)	7,861	556	63,120	(376,467)
<b>Other financing sources (uses)</b>						
Transfers in	417,103	39,880	-	-	-	456,983
Transfers out	-	-	-	-	(1,601,557)	(1,601,557)
Total other financing sources (uses)	417,103	39,880	-	-	(1,601,557)	(1,144,574)
Net changes in fund balances	5,929	3,050	7,861	556	(1,538,437)	(1,521,041)
Fund balances, beginning of year	70,897	4,131	147,913	36,993	1,538,437	1,798,371
<b>Fund balances, end of year</b>	<u>\$ 76,826</u>	<u>\$ 7,181</u>	<u>\$ 155,774</u>	<u>\$ 37,549</u>	<u>\$ -</u>	<u>\$ 277,330</u>

**HAMILTON COMMUNITY SCHOOLS**  
**Comparative Balance Sheet**  
**Athletics Fund**  
**June 30, 2007**  
**With Comparative Totals as of June 30, 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and investments	\$ 79,949	\$ 69,837
Prepaid items	<u>1,077</u>	<u>1,060</u>
 <b>Total assets</b>	 <u><u>\$ 81,026</u></u>	 <u><u>\$ 70,897</u></u>
 <b>Liabilities</b>		
Accounts payable	<u>\$ 4,200</u>	<u>\$ -</u>
 <b>Fund balances</b>		
Reserved for prepaid items	1,077	1,060
Unreserved, undesignated	<u>75,749</u>	<u>69,837</u>
 Total fund balances	 <u>76,826</u>	 <u>70,897</u>
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 81,026</u></u>	 <u><u>\$ 70,897</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**Athletics Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<b>Budget</b>			<b>Variance</b>	
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	<b>With Final</b>	<b>2006</b>
				<b>Budget</b>	<b>Actual</b>
<b>Revenues</b>					
Local sources:					
Gate receipts	\$ 280,760	\$ 292,370	\$ 274,145	\$ (18,225)	\$ 282,692
Interest	1,600	1,970	2,000	30	1,975
Miscellaneous revenue	10	320	25	(295)	329
Total revenues	282,370	294,660	276,170	(18,490)	284,996
<b>Expenditures</b>					
Supporting services:					
Salaries	299,340	289,350	283,916	(5,434)	291,259
Employee benefits	87,460	84,790	83,846	(944)	80,304
Purchased services	142,250	175,150	142,229	(32,921)	142,148
Supplies and materials	175,750	165,150	142,313	(22,837)	129,732
Miscellaneous	48,010	24,150	22,776	(1,374)	42,904
Capital outlay	10,830	14,320	12,264	(2,056)	10,278
Total expenditures	763,640	752,910	687,344	(65,566)	696,625
Revenue over (under) expenditures	(481,270)	(458,250)	(411,174)	47,076	(411,629)
<b>Other financing sources</b>					
Transfers in	428,410	435,050	417,103	(17,947)	429,382
Net changes in fund balance	(52,860)	(23,200)	5,929	29,129	17,753
Fund balances, beginning of year	70,897	70,897	70,897	-	53,144
<b>Fund balances, end of year</b>	<b>\$ 18,037</b>	<b>\$ 47,697</b>	<b>\$ 76,826</b>	<b>\$ 29,129</b>	<b>\$ 70,897</b>

# HAMILTON COMMUNITY SCHOOLS

## Comparative Balance Sheet

### Food Service Fund

June 30, 2007

With Comparative Totals as of June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and investments	\$ 7,050	\$ -
Receivables		
Accounts	94	1,891
Due from other governments	4,411	4,139
Due from other funds	-	1,500
Inventory	22,828	12,219
Prepaid items	<u>3,462</u>	<u>1,468</u>
<b>Total assets</b>	<u><u>\$ 37,845</u></u>	<u><u>\$ 21,217</u></u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 146
Due to other funds	-	1,266
Deferred revenue	<u>30,664</u>	<u>15,674</u>
<b>Total liabilities</b>	<u>30,664</u>	<u>17,086</u>
<b>Fund balances</b>		
Reserved for:		
Inventory	10,521	10,748
Prepaid items	3,462	1,468
Unreserved (deficit)	<u>(6,802)</u>	<u>(8,085)</u>
<b>Total fund balances</b>	<u>7,181</u>	<u>4,131</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 37,845</u></u>	<u><u>\$ 21,217</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**Food Service Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<b>Budget</b>			<b>Variance</b>	
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	<b>With Final Budget</b>	<b>2006 Actual</b>
<b>Revenue</b>					
Local sources:					
Lunch sales	\$ 538,200	\$ 545,800	\$ 517,629	\$ (28,171)	\$ 546,004
Miscellaneous revenue	9,000	11,400	7,872	(3,528)	11,442
Interest	600	1,100	1,496	396	906
Total local sources	547,800	558,300	526,997	(31,303)	558,352
State sources:					
State aid	29,500	24,250	24,091	(159)	32,908
Federal sources:					
Federal aid received through the State	126,000	144,800	157,809	13,009	144,842
U.S.D.A. Donated Commodities	17,000	17,100	21,028	3,928	16,817
Total federal sources	143,000	161,900	178,837	16,937	161,659
Total revenue	720,300	744,450	729,925	(14,525)	752,919
<b>Expenditures</b>					
Supporting services:					
Salaries	262,470	257,390	256,675	(715)	256,754
Employee benefits	88,410	86,430	85,445	(985)	81,092
Purchased services	11,880	11,900	10,680	(1,220)	10,757
Supplies and materials	47,980	51,680	45,395	(6,285)	41,886
Food and milk	364,710	360,160	341,843	(18,317)	351,347
Commodities expense	18,400	17,240	21,027	3,787	16,817
Miscellaneous	5,870	3,050	3,151	101	5,860
Capital outlay	690	-	2,539	2,539	682
Total expenditures	800,410	787,850	766,755	(21,095)	765,195
Revenue over (under) expenditures	(80,110)	(43,400)	(36,830)	6,570	(12,276)
<b>Other financing sources</b>					
Transfers in	80,000	40,000	39,880	(120)	14,500
Net changes in fund balances	(110)	(3,400)	3,050	6,450	2,224
Fund balances, beginning of year	4,131	4,131	4,131	-	1,907
<b>Fund balances, end of year</b>	<b>\$ 4,021</b>	<b>\$ 731</b>	<b>\$ 7,181</b>	<b>\$ 6,450</b>	<b>\$ 4,131</b>



# HAMILTON COMMUNITY SCHOOLS

## Comparative Balance Sheet

### Debt Service Fund

June 30, 2007

With Comparative Totals as of June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and investments	\$ 1,959,954	\$ 620,822
Interest receivable	2,076	3,216
Due from other governments	<u>82,182</u>	<u>82,182</u>
<b>Total assets</b>	<u><u>\$ 2,044,212</u></u>	<u><u>\$ 706,220</u></u>
<b>Liabilities</b>		
Deferred revenue	\$ 82,182	\$ 82,182
<b>Fund balances</b>		
Unreserved, undesignated	<u>1,962,030</u>	<u>624,038</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,044,212</u></u>	<u><u>\$ 706,220</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Debt Service Fund**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Local sources:		
Current property tax levy	\$ 4,207,400	\$ 3,958,013
Interest income	90,816	51,541
Miscellaneous	<u>150,201</u>	<u>157,611</u>
Total local sources	4,448,417	4,167,165
State aid - restricted	<u>-</u>	<u>66,446</u>
Total revenues	<u>4,448,417</u>	<u>4,233,611</u>
<b>Expenditures</b>		
Debt service:		
Principal	1,575,000	2,270,918
Interest	1,501,079	1,677,405
Paying agent fees	525	525
Taxes abated and written off	<u>33,821</u>	<u>58,573</u>
Total expenditures	<u>3,110,425</u>	<u>4,007,421</u>
Revenue over expenditures	<u>1,337,992</u>	<u>226,190</u>
Net changes in fund balances	1,337,992	226,190
Fund balances - beginning of year	<u>624,038</u>	<u>397,848</u>
<b>Fund balances - end of year</b>	<u><u>\$ 1,962,030</u></u>	<u><u>\$ 624,038</u></u>

# HAMILTON COMMUNITY SCHOOLS

## Balance Sheet

### Capital Projects Funds

June 30, 2007

With Comparative Totals as of June 30, 2006

	Capital Project Funds			Totals	
	Building and Site Fund	1998 Durant Fund	Public Improvement Fund	2007	2006
<b>Assets</b>					
Cash and investments	\$ 154,509	\$ 37,549	\$ -	\$ 192,058	\$ 1,706,862
Interest receivable	1,265	-	-	1,265	16,892
<b>Total assets</b>	<u>\$ 155,774</u>	<u>\$ 37,549</u>	<u>\$ -</u>	<u>\$ 193,323</u>	<u>\$ 1,723,754</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 411
<b>Fund balances</b>					
Unreserved, undesignated	155,774	37,549	-	193,323	1,723,343
<b>Total liabilities and fund balances</b>	<u>\$ 155,774</u>	<u>\$ 37,549</u>	<u>\$ -</u>	<u>\$ 193,323</u>	<u>\$ 1,723,754</u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Capital Project Funds**  
**For the Year Ended June 30, 2007**  
**With Comparative Totals for the Year Ended June 30, 2006**

	<b>Capital Project Funds</b>			<b>Totals</b>	
	<b>Building and Site Fund</b>	<b>1998 Durant Fund</b>	<b>Public Improvement Fund</b>	<b>2007</b>	<b>2006</b>
<b>Revenue</b>					
Local - interest	\$ 7,861	\$ 556	\$ 63,120	\$ 71,537	\$ 25,647
<b>Expenditures</b>					
Capital outlay	-	-	-	-	113,327
Revenue over (under) expenditures	7,861	556	63,120	71,537	(87,680)
<b>Other financing sources</b>					
Transfer out	-	-	(1,601,557)	(1,601,557)	-
Net changes in fund balances	7,861	556	(1,538,437)	(1,530,020)	(87,680)
Fund balances, beginning of year	147,913	36,993	1,538,437	1,723,343	1,811,023
<b>Fund balances, end of year</b>	<b>\$ 155,774</b>	<b>\$ 37,549</b>	<b>\$ -</b>	<b>\$ 193,323</b>	<b>\$ 1,723,343</b>

## **AGENCY FUND**

**HAMILTON COMMUNITY SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2007**

	Student Activities Fund			
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Assets</b>				
Cash and investments	\$ 71,404	\$ 369,037	\$ 384,564	\$ 55,877
Inventory	19,541	-	2,390	17,151
<b>Total assets</b>	<b>\$ 90,945</b>	<b>\$ 369,037</b>	<b>\$ 386,954</b>	<b>\$ 73,028</b>
<b>Liabilities</b>				
Middle School:				
Age group swim	\$ 5,656	\$ 13,368	\$ 19,002	\$ 22
Art club	240	-	-	240
Arts out there	4,048	5,786	4,290	5,544
Camp/scholarship fund	109	-	-	109
Eighth grade team	1,721	2,549	3,294	976
General fundraising	7,224	17,695	21,524	3,395
Library	370	1,271	1,428	213
Locker art	407	21	21	407
Miller's club	460	493	277	676
MP3	-	13,546	12,566	980
MS drama	195	1,953	2,008	140
Seventh grade team #1	-	5,840	5,840	-
Seventh grade team #2	273	1,690	1,438	525
Sixth grade team #1	-	364	364	-
Sixth grade team #2	-	258	258	-
Ski club	504	2,874	2,480	898
Staff social	24	-	24	-
Student council	5,008	24,094	23,767	5,335
Yearbook	97	10,664	10,761	-
High School:				
Advanced math placement	1,345	7,386	6,575	2,156
AP Stratford	(163)	3,337	7,571	(4,397)
Band	1,469	1,602	1,359	1,712
Byron Bank scholarship	1,500	500	1,500	500
Chorus	(520)	-	200	(720)
Class of 2005	248	-	248	-
Class of 2006	1,011	-	50	961
Class of 2007	2,853	1,500	3,986	367
Class of 2008	1,317	10,833	11,050	1,100
Class of 2009	1,443	1,661	1,294	1,810
Class of 2010	-	2,976	1,819	1,157
Class of 2011	-	500	-	500
Close-up	1,837	3,239	2,808	2,268
Debate	318	397	-	715
Drama	(22,617)	10,630	7,110	(19,097)

(Continued)

**HAMILTON COMMUNITY SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund (Continued)**  
**For the Year Ended June 30, 2007**

	<b>Student Activities Fund</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Fees	\$ 225	\$ -	\$ -	\$ 225
Fellowship of Christian Athletes	273	-	-	273
General fundraising	1,997	10,077	9,164	2,910
German club	14,232	78,740	87,499	5,473
German exchange program	-	227	227	-
Hawk's Landing	15,660	24,018	22,481	17,197
Homkes scholarship	445	-	-	445
Journalism	305	670	750	225
Life skills	119	1,015	2,398	(1,264)
Media center	226	506	108	624
Media communications	1,008	9,732	5,648	5,092
National Honor Society	238	-	238	-
Parking	504	368	334	538
Spanish club	15,709	68,774	76,265	8,218
Student council	1,054	6,984	6,945	1,093
Student exchange UK - USA	11,995	3,830	12,360	3,465
Quiz Bowl	946	920	675	1,191
Yearbook	8,191	27,339	28,800	6,730
Accounts payable	-	12,101	-	12,101
Sales tax payable	1,441	-	1,441	-
<b>Total liabilities</b>	<b>\$ 90,945</b>	<b>\$ 392,328</b>	<b>\$ 410,245</b>	<b>\$ 73,028</b>

(Concluded)

**SCHEDULES OF BONDS ISSUED,  
REDEEMED AND OUTSTANDING**



**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**1998 School Building and Site and Refunding Bonds**  
**June 30, 2007**

Due	Interest Rate	Bond Principal					Interest Due	
		New Money Portion	Refunding Portion	Total Issued	Refunded/ Redeemed	Outstanding	May 1	November 1
05/01/1999	3.000 %	\$ 380,000	\$ 40,000	\$ 420,000	\$ 420,000	\$ -	\$ 968,404	\$ 962,504
05/01/2000	3.450	235,000	245,000	480,000	480,000	-	962,504	954,224
05/01/2001	3.700	360,000	285,000	645,000	645,000	-	954,224	942,291
05/01/2002	3.800	475,000	320,000	795,000	795,000	-	942,291	927,186
05/01/2003	3.850	590,000	360,000	950,000	950,000	-	927,186	908,899
05/01/2004	4.000	715,000	395,000	1,110,000	1,110,000	-	908,899	886,699
05/01/2005	4.050	740,000	435,000	1,175,000	1,175,000	-	505,084	481,290
05/01/2006	5.500	880,000	480,000	1,360,000	1,360,000	-	481,290	443,890
05/01/2007	5.500	1,040,000	535,000	1,575,000	1,575,000	-	443,890	400,578
05/01/2008	5.500	1,260,000	560,000	1,820,000	-	1,820,000	400,578	350,528
05/01/2009	5.500	1,420,000	590,000	2,010,000	-	2,010,000	350,528	295,253
05/01/2010	4.500	1,500,000	620,000	2,120,000	1,475,000	645,000	295,253	280,740
05/01/2011	4.600	1,630,000	605,000	2,235,000	1,605,000	630,000	280,740	266,250
05/01/2012	4.850	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2013	4.850	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2014	4.900	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2015	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2016	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2017	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2018	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2019	5.000	1,775,000	-	1,775,000	-	1,775,000	266,250	221,875
05/01/2020	5.000	1,775,000	-	1,775,000	-	1,775,000	221,875	177,500
05/01/2021	5.000	1,775,000	-	1,775,000	-	1,775,000	177,500	133,125
05/01/2022	5.000	1,775,000	-	1,775,000	-	1,775,000	133,125	88,750
05/01/2023	5.000	1,775,000	-	1,775,000	-	1,775,000	88,750	44,375
05/01/2024	5.000	1,775,000	-	1,775,000	-	1,775,000	44,375	-
<b>Totals</b>		<b>\$ 34,300,000</b>	<b>\$ 5,470,000</b>	<b>\$ 39,770,000</b>	<b>\$ 24,015,000</b>	<b>\$ 15,755,000</b>	<b>\$ 11,216,496</b>	<b>\$ 10,629,707</b>

**Date of Issue:** November 1, 1998

**Purpose:** Erecting, furnishing and equipping a new high school; remodeling, refurbishing and re-equipping the existing Junior/Senior High School for middle school purposes and erecting, furnishing and equipping a swimming pool addition; erecting, furnishing and equipping an addition to and partially remodeling, refurbishing and re-equipping the Hamilton Elementary School; developing and improving the playground at Hamilton Elementary, athletic and outdoor physical education fields and sites, and to pay a portion of the costs of issuing the Bonds.

The remaining \$5,470,000 of the Bonds are being issued for the purpose of refunding a portion of the School District's 1994 School Building and Site and Refunding Bonds, dated November 1, 1994, which are due and payable May 1, 2000 through May 1, 2009, and May 1, 2011 (the "Prior Bonds"); and to pay the refunding portion of the costs of issuing the Bonds.

**Redemption Prior to Maturity:**

The Bonds maturing on May 1, 2013, May 1, 2018, and May 1, 2024 are term bonds subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth in the following table and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

	Redemption Dates	Redemption Price
Term Bonds Due May 1, 2013	May 1, 2012 through May 1, 2013	100%
Term Bonds Due May 1, 2018	May 1, 2015 through May 1, 2018	100%
Term Bonds Due May 1, 2024	May 1, 2019 through May 1, 2024	100%

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**2005 Refunding Bonds**  
**June 30, 2007**

Due	Interest Rate	Bond Principal			Interest Due	
		Issued	Redeemed	Outstanding	May 1	November 1
05/01/2005	3.000 %	\$ -	\$ -	\$ -	\$ -	\$ 374,672
05/01/2006	3.000	865,000	865,000	-	319,625	306,650
05/01/2007	3.000	-	-	-	306,650	306,650
05/01/2008	3.000	-	-	-	306,650	306,650
05/01/2009	3.000	-	-	-	306,650	306,650
05/01/2010	3.500	1,305,000	-	1,305,000	306,650	283,813
05/01/2011	3.500	1,395,000	-	1,395,000	283,813	259,400
05/01/2012	5.000	1,560,000	-	1,560,000	259,400	220,400
05/01/2013	5.000	1,550,000	-	1,550,000	220,400	181,650
05/01/2014	5.000	1,540,000	-	1,540,000	181,650	143,150
05/01/2015	5.000	1,530,000	-	1,530,000	143,150	104,900
05/01/2016	4.000	1,520,000	-	1,520,000	104,900	74,500
05/01/2017	5.000	1,490,000	-	1,490,000	74,500	37,250
05/01/2018	5.000	1,490,000	-	1,490,000	37,250	-
		<u>\$ 14,245,000</u>	<u>\$ 865,000</u>	<u>\$ 13,380,000</u>	<u>\$ 2,851,288</u>	<u>\$ 2,906,335</u>

**Date of Issue:** March 30, 2005

**Purpose:** The bonds are being issued for the purpose of refunding that portion of the School District's outstanding 1998 School Building & Site Bonds, dated November 1, 1998, which are due and payable on May 1, 2010 (\$1,475,000 only), May 1, 2011 (\$1,605,000 only), May 1, 2013, May 1, 2014 and May 1, 2018 and to pay the costs of issuing the bonds.

**Redemption Prior to Maturity:** The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2016 are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2015, at par plus accrued interest to the date fixed for redemption.

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**Durant Resolution Package Bonds**  
**June 30, 2007**

<b>Due</b>	<b>Bond Principal</b>			<b>Interest</b>
	<b>Principal</b>	<b>Redeemed</b>	<b>Outstanding</b>	
05/15/1999	\$ 20,553	\$ 20,553	\$ -	\$ 4,535
05/15/2000	16,496	16,496	-	8,568
05/15/2001	17,275	17,275	-	7,783
05/15/2002	18,088	18,088	-	6,961
05/15/2003	-	-	-	-
05/15/2004	-	-	-	-
05/15/2005	-	-	-	-
05/15/2006	45,918	45,918	-	20,528
05/15/2007	-	-	-	-
05/15/2008	-	-	-	-
05/15/2009	11,159	-	11,159	2,922
05/15/2010	11,690	-	11,690	2,390
05/15/2011	33,064	-	33,064	9,175
05/15/2012	12,829	-	12,829	1,251
05/15/2013	13,440	-	13,440	640
	<u>\$ 200,512</u>	<u>\$ 118,330</u>	<u>\$ 82,182</u>	<u>\$ 64,753</u>

Use of these funds is restricted to purposes specified in Section 1351a of the Revised School Code. Permissible uses include: purchasing, erecting, completing, remodeling or equipping school building and other facilities, furnishing school buildings, acquiring or developing sites for school buildings, purchasing school buses, and acquiring, installing or equipping school buildings for technology. Bond proceeds may not be spent for operational purposes. The District elected to receive bond proceeds from the National Bank of Detroit. This created a liability which will be reduced each year with the annual State appropriation made for debt services of the bonds. The District pledged its right to receive these future appropriations as a condition of receiving the bond proceeds.

The bond documentation states specifically that the Series 1998 bonds are not a debt or liability of the State of Michigan. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Should the legislature fail to appropriate debt service in any given year, the District will write off the debt for the fiscal year only.

## **OTHER INFORMATION**

**HAMILTON COMMUNITY SCHOOLS**  
**Insurance Information**  
**June 30, 2007**

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We read the insurance policies purchased by the Board of Education and have summarized the coverage as follows:

Blanket Property - \$2,500 deductible	
Buildings, contents and property in the open	\$76,853,781
Buildings – earthquake	3,000,000
Commercial Liability Umbrella - \$10,000 deductible	
General liability	5,000,000
Employers' liability	1,000,000/2,000,000
Employee benefits	500,000/500,000
School leaders errors and omissions	1,000,000/3,000,000
Sexual misconduct	1,000,000/1,000,000
Automobile	1,000,000/1,000,000
Automobile - \$250 comprehensive deductible, \$500 collision deductible	
General liability	1,000,000
Uninsured motorists	1,000,000
Physical damage – lessor of cash value or cost of repair less deductible	
Employee dishonesty and depository forgery - \$500 deductible	100,000
Workers' compensation	500,000/500,000/500,000
Computer equipment	2,222,520
Software	300,000
Musical, athletic and visual aid equipment	Various limits
Sports accident medical - \$25,000 deductible	1,000,000



**HAMILTON COMMUNITY SCHOOLS**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**HAMILTON COMMUNITY SCHOOLS  
SINGLE AUDIT**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

October 4, 2007

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Community Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hamilton Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamilton Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamilton Community Schools' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider finding 2007-1 as described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our considering of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hamilton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hamilton Community Schools' in a separate letter dated October 4, 2007.

This report is intended solely for the information and use of management and the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 4, 2007

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

**Compliance**

We have audited the compliance of Hamilton Community Schools, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Hamilton Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hamilton Community Schools' management. Our responsibility is to express an opinion on Hamilton Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamilton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hamilton Community Schools' compliance with those requirements.

In our opinion, Hamilton Community Schools' complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Hamilton Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hamilton Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton Community Schools' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Community Schools as of and for the year ended June 30, 2007 and have issued our report thereon dated October 4, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

# HAMILTON COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2007
						(Memo Only) Prior Year(s)	Year Ended June 30, 2007	
U.S. Department of Agriculture								
Direct Programs:								
Entitlement Commodities	10.550		\$ 36,085	\$ (1,354)	\$ 31,831	\$ -	\$ 20,995	\$ (12,190)
Bonus Commodities	10.550		2,846	(117)	33	-	33	(117)
			38,931	(1,471)	31,864	-	21,028	(12,307)
Passed-through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch - breakfast	10.553	061970	447	-	447	-	447	-
National School Lunch - breakfast	10.553	071970	5,690	-	5,690	-	5,690	-
			6,137	-	6,137	-	6,137	-
National S/L Section 4 All Lunches	10.555	061950	4,459	-	4,459	-	4,459	-
National S/L Section 4 All Lunches	10.555	071950	37,112	-	37,112	-	37,112	-
National S/L Section 11 Free & Reduced	10.555	061960	11,374	-	11,374	-	11,374	-
National S/L Section 11 Free & Reduced	10.555	071960	98,727	-	98,727	-	98,727	-
			151,672	-	151,672	-	151,672	-
Total Child Nutrition Cluster			157,809	-	157,809	-	157,809	-
Total U.S. Department of Agriculture			196,740	(1,471)	189,673	-	178,837	(12,307)
U.S. Department of Education								
Passed-through Michigan Department of Education:								
Title I, Part A	84.010	071530-0607	201,513	-	105,000	-	201,513	96,513
Handicapped Preschool	84.027	060440/SRSR	4,130	1,113	1,113	1,113	-	-
Title V	84.298	070250-0607	528	-	-	-	528	528
Title II, Part D	84.318	074290-0607	2,069	-	-	-	2,069	2,069
Title II, Part A	84.367	070520-0607	68,740	-	35,000	-	68,740	33,740

# HAMILTON COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2007
						(Memo Only) Prior Year(s)	Year Ended June 30, 2007	
U.S. Department of Education (Continued)								
Passed-through Ottawa Area Intermediate School District:								
IDEA State Initiated Transition	84.027	060490-0506-TS	\$ 1,494	\$ 1,494	\$ 1,494	\$ 1,494	\$ -	\$ -
IDEA State Initiated Transition	84.027	070490-0607-TS	1,702	-	1,702	-	1,702	-
			3,196	1,494	3,196	1,494	1,702	-
IDEA PL 94-142 Flow Through	84.027	060450-0506	387,236	193,618	193,618	193,618	-	-
IDEA PL 94-142 Flow Through	84.027	070450-0607	372,662	-	186,331	-	372,662	186,331
			759,898	193,618	379,949	193,618	372,662	186,331
Preschool Grant	84.173	060460-0506	13,228	6,614	6,614	6,614	-	-
Preschool Grant	84.173	070460-0607	17,350	-	8,675	-	17,350	8,675
			30,578	6,614	15,289	6,614	17,350	8,675
Safe and Drug Free Schools	84.186	062860-0506	7,172	1,227	1,227	1,227	-	-
Safe and Drug Free Schools	84.186	072860-0607	6,025	-	-	-	6,025	6,025
			13,197	1,227	1,227	1,227	6,025	6,025
Total U.S. Department of Education			1,083,849	204,066	540,774	204,066	670,589	333,881
U.S. Department of Health and Human Services								
Passed-through Michigan Department of Education:								
Medicaid Outreach	93.778		4,928	-	4,928	-	4,928	-
Total Expenditures of Federal Awards			\$ 1,285,517	\$ 202,595	\$ 735,375	\$ 204,066	\$ 854,354	\$ 321,574

**HAMILTON COMMUNITY SCHOOLS**  
**SINGLE AUDIT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Basis of Accounting**

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

**Reconciliation of Basic Financial Statements**

Revenues from federal sources per the June 30, 2007 basic financial statements agree with federal expenditures from the June 30, 2007 Schedule of Expenditures of Federal Awards.

Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

**HAMILTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued:

*Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

  x   yes    \_\_\_\_\_ none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes      x   no

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes      x   none reported

Type of auditors’ report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section 510(a)?

\_\_\_\_\_ yes      x   no

***Identification of Major Programs***

***CFDA Number(s)***

***Name of Federal Program or Cluster***

84.027 & 84.173

Special Education Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs:

  \$ 300,000  

Auditee qualified as low risk auditee?

  x   yes    \_\_\_\_\_ no

# **HAMILTON COMMUNITY SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2007**

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### **SECTION II – FINCANIAL STATEMENT FINDINGS**

#### **Finding 2007-1 – Segregation of Incompatible Duties – Review of Bank Reconciliations**

<b>Criteria:</b>	Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the District's assets.
<b>Condition:</b>	During our audit we noted that bank reconciliations are prepared by individuals connected with cash receipts/disbursements and/or general ledger maintenance, and not reviewed by an individual other than the preparer.
<b>Cause:</b>	This condition was primarily caused by the lack of staff and timing constraints.
<b>Effect:</b>	As a result of this condition, the District's cash could be potentially misappropriated or misstated. No such misappropriations or misstatements were discovered in the audit.
<b>Recommendation:</b>	We recommend that all bank reconciliations be reviewed, initialed, and dated by a responsible individual other than the preparer.
<b>View of Responsible Officials:</b>	A responsible individual will be assigned the task of reviewing and approving all bank reconciliations.

### **SECTION III – FEDERAL AWARDS FINDINGS**

None

### **SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS**

#### **Finding 2006-1**

<b>Condition:</b>	The District did not obtain certifications semiannually signed by the employee or supervisory official for employees charged solely to one federal program.
<b>Status:</b>	Corrective action was taken and the district obtained semiannual certifications for all employees charged solely to one federal program in the current year.





# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

October 4, 2007

To the Board of Education of  
Hamilton Community Schools  
Hamilton, Michigan

We have audited the financial statements of Hamilton Community Schools for the year ended June 30, 2007, and have issued our report thereon dated October 4, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated June 5, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Hamilton Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Hamilton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Hamilton Community Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Hamilton Community Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Hamilton Community Schools' compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hamilton Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Hamilton Community Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Hamilton Community Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Hamilton Community Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Hamilton Community Schools' financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hamilton Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum is intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **Hamilton Community Schools**

## **Comments and Recommendations**

### **For the Year Ended June 30, 2007**

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In planning and performing our audit of the financial statements of Hamilton Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

#### **Other Matters**

##### ***Student Activity Accounts***

During our review of control procedures in place over the middle and high schools for student activity accounts, we identified the following:

The District has implemented a procedure that requires reimbursement requests to be signed by an appropriate supervisor or other authorized individual; however, we noted several disbursements for which there was no signed approval other than the original check. In order to ensure proper use of student activity funds, we recommend that knowledgeable supervisory personnel document their approval of each reimbursement request by signing before it is processed. We also recommend that the Business Manager or other administrator conduct periodic reviews of these procedures.

##### ***Bank Accounts in District's Name***

In confirming balances with local depositories, we became aware of two organizations that are using the District's name and federal taxpayer ID number with their bank accounts, but whose funds are not listed in the District's general ledger. We recommend that these organizations either discontinue using the District's taxpayer ID number, or turn over their accounts and be subject to the accounting oversight and control of the Business Office.

# **Hamilton Community Schools**

## **Comments and Recommendations**

**For the Year Ended June 30, 2007**

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### ***Cash Receipts - Athletics***

During our audit we noted that there is very little oversight with regards to the sale of athletic tickets. We recommend that the District keep a register of the number and type of tickets sold during an event which should be submitted and reconciled to the cash receipts with the deposit.

\* \* \* \* \*